

The complaint

Mr D complains that Moneybarn No. 1 Limited ("Moneybarn") have calculated the balance remaining on his agreement incorrectly.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. Instead I'll focus on giving my reasons for my decision.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I know it will disappoint Mr D, but I agree with the investigator's view of this complaint. Please let me explain why.

Where the information I've got is incomplete, unclear, or contradictory, as some of it is here I have to base my decision on the balance of probabilities.

I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

Mr D acquired his car under a conditional sale agreement. This is a regulated consumer credit agreement and as a result our service is able to look into complaints about it.

Moneybarn sent Mr D a default notice in August 2019. That notice explained that he was in significant arrears on his account and that if arrears weren't paid in full by 4 September 2019 the total amount payable under the agreement would become due. As the arrears weren't paid on time Moneybarn issued a termination letter in September 2019.

The terms of Mr D's contract with Moneybarn gave them the right to terminate the contract. Those terms said if he failed to pay on time Moneybarn would be entitled to immediate payment of all payments and other sums due under this agreement up to the date of termination, less the proceeds of the sale of the car and less a rebate for early settlement. That early settlement rebate was listed in the default notice as £6,396.56 and it was explained that amount would reduce if payment wasn't made by 4 September 2019.

The Consumer Credit Act (1974) covers several areas of consumer credit including the content and form of credit agreements and the procedures relating to default, termination, and early settlement. In relation to early settlement the Consumer Credit Act says that settlement figures should be calculated using the rules set out in the Consumer Credit (Early Settlement) Regulations 2004 which explain the statutory rebate of interest when the term of a contract is reduced.

In October 2019 Moneybarn sent Mr D a bill in which they set out the amount he would have to pay them to settle the account once it had been terminated. The total amount payable on the account was reduced by the sales proceeds Moneybarn had received for the car and the current settlement figure took account of the rebate of interest that Moneybarn needed to apply.

I've not checked that interest rebate as it's a complex and automated calculation that will be subject to auditing at Moneybarn. But I am persuaded that they have taken everything into account I would expect them to when calculating the settlement figure and I'm not therefore asking them to take any further action.

My final decision

For the reasons I've given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 27 July 2022.

Phillip McMahon
Ombudsman